

**INDEPENDENCE VOLUNTEER FIRE DEPARTMENT, INC.**

**FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/31/10

**Anthony B. Baglio, CPA**  
CERTIFIED PUBLIC ACCOUNTANTS  
A Professional Accounting Corporation

Independence Volunteer Fire Department, Inc.

Financial Statements

As of and for the Year Ended December 31, 2007

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**ACCOUNTANT'S COMPILATION REPORT**

To the Officers of  
Independence Volunteer Fire Department, Inc.  
Independence, Louisiana

I have compiled the accompanying statement of financial position of the Independence Volunteer Fire Department, Inc. (a nonprofit corporation) as of December 31, 2007, and the related statements of activities, and changes in net assets, and cash flows for the year then ended and the accompanying supplementary information schedules on pages 16 and 17 which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. However, I did become aware of departures from generally accepted accounting principles that is described in the following paragraph.

As disclosed in Note 1, The Fire Department has certain transactions with Rural Fire Protection District No. 2 which include reporting the payment of debt and asset purchases that belong to The Rural Fire Protection District No. 2, as expenses on the statement of activities and changes in net assets, which is a departure from generally accepted accounting principles. These financial statements are not intended to and do not present the financial position and results of operations in conformity with generally accepted accounting principles.

I am not independent with respect to the Independence Volunteer Fire Department, Inc.

Anthony B. Baglio, CPA  
A Professional Accounting Corporation

November 24, 2009

## **Financial Statements**

Independence Volunteer Fire Department, Inc.

Statement of Financial Position

December 31, 2007

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 16,932
Receivables (Net of allowances for uncollectibles):	
Fire Protection District No. 2 Contract Fees	39,513
Employee Receivable	<u>29,372</u>

Total Current Assets \$ 85,817

Fixed Assets:

Land	\$ 10,000
Building	207,104
Vehicle	<u>50,000</u>
Total Fixed Assets	267,104
Less: accumulated depreciation	<u>(31,795)</u>
Net Fixed Assets	\$ 235,309

Total Assets \$ 321,126

**Liabilities and Net Assets**

Current Liabilities:

Accounts Payable	\$ 5,604
Payroll Taxes Payable	481
Deferred Revenue	9,847
Current Portion of Long-Term Debt	<u>22,211</u>

Total Current Liabilities \$ 38,143

Long Term Debt, less current portion \$ 158,470

Net Assets:

Temporarily Restricted	<u>\$ 124,513</u>
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Total Net Assets \$ 124,513

Total Liabilities and Net Assets \$ 321,126

See accompanying notes and accountant's report.

Independence Volunteer Fire Department, Inc.

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2007

	<u>Temporarily Restricted</u>
Support and Revenues:	
Rural Fire District No. 2 Contract Fees:	
Ad Valorem Taxes	\$ 183,792
State Revenue Sharing	26,525
Fire Insurance Premium Rebate	13,569
Interest Income	30
Donations	46,423
Miscellaneous	5,000
Insurance Proceeds	59,260
Match Funds from TPF2	40,000
USDA Grant	<u>173,183</u>
Total Support and Revenues	\$ 547,782
Expenses:	
Program Services – Fire Protection:	
Fuel	\$ 10,008
Salaries and Related Expenses	63,136
Return of appropriation to Rural Fire Protection District	
No. 2 for debt principal and interest	37,531
Building & Equipment Purchases	260,287
Depreciation	8,772
Repairs and Maintenance	94,981
Insurance	12,894
Interest on assets owned by IVFD	6,927
Telephone	9,245
Outside Services	750
Fire Station Supplies	12,332
Office Supplies	336
Professional Fees	7,860
Training	765
Other	<u>8,506</u>
Total Program Services	\$ 534,330
Change in Net Assets	\$ 13,452
Net Assets – Beginning of the Year	\$ 58,652
Prior Period Adjustment	<u>52,409</u>
Net Assets – End of the Year	<u>\$ 124,513</u>

See accompanying notes and accountant's report.

Independence Volunteer Fire Department, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2007

Cash Flows from Operating Activities:	
Changes in Net Assets	\$ 13,452
Adjustments to Reconcile Change in Net Assets to	
Net Cash Used by Operating Activities:	
Depreciation	8,772
(Increase) Decrease in Accounts Receivable	7,618
(Increase) Decrease in Employee Receivable	(29,372)
Increase (Decrease) in Accounts Payable	<u>4,638</u>
Net Cash Provided by Operating Activities	\$ 5,108
Cash Flows from Investing Activities:	
Equipment Purchases (IVFD)	\$ <u>(4,290)</u>
Net Cash Used by Investing Activities	\$ <u>(4,290)</u>
Cash Flows from Financing Activities	
Payments on Notes Payable	\$ (21,452)
Proceeds form Notes Payable	<u>15,450</u>
Net Cash Used by Financing Activities	\$ (6,002)
Net Increase (Decrease) in Cash	\$ (5,184)
Cash – Beginning of the Year	\$ <u>22,116</u>
Cash – End of the Year	\$ <u>16,932</u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for interest	\$ <u>6,927</u>

See accompanying notes and accountant's report.

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statement

As of and For the Year Ended December 31, 2007

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Independence Volunteer Fire Department, Inc.

Notes to the Financial Statement

As of and For the Year Ended December 31, 2007

**Introduction**

The Independence Volunteer Fire Department, Inc. (hereinafter referred to as the "Fire Department") is a Louisiana non-profit organization. Its purpose is to operate exclusively as a volunteer fire-fighting organization to provide fire protection and emergency response services in the Town of Independence and the surrounding rural areas. The Fire Department is governed by officers consisting of a chief, a first assistant chief, a second assistant chief, and three captains, each of which is elected by the membership. At the present time, the Fire Department consists of approximately 46 active volunteer firemen. The Fire Department maintains an office in Fire Station Number 1 of the Town of Independence and maintains equipment in two fire stations in the town and one fire station on Red Hill Road.

**1. Summary of Significant Accounting Policies**

The Fire Department has certain transactions with Rural Fire Protection District No. 2 which include reporting the payment of debt and asset purchases that belong to The Rural Fire Protection District No. 2, as expenses on the statement of activities and changes in net assets, which is a departure from generally accepted accounting principles. These financial statements are not intended to and do not present the financial position and results of operations in conformity with generally accepted accounting principles.

**A. Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Independence is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**B. Support and Revenue**

Support consists primarily of contract payments received from the Rural Fire Protection District No. 2 of Tangipahoa Parish in the form of ad valorem taxes, state revenue sharing funds, and fire insurance rebate funds. The Fire Department receives a percentage of the total funds available to the Rural Fire Protection District No. 2 based on a formula contained in the original contract agreed to by all participating fire departments in Tangipahoa Parish. The ad valorem tax allocation is established in January of each year and is disbursed by the Rural Fire Protection District No. 2 on a quarterly basis. State revenue sharing and fire insurance rebate funds are disbursed to participating fire departments by the Rural Fire Protection District No. 2 as the funds become available. As a result, ad valorem taxes and interest income is recognized as income in the period earned. State revenue sharing funds, fire insurance rebate funds, and all other revenue are recognized as income when received.

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statement

As of and For the Year Ended December 31, 2007

C. Cash

Cash includes demand deposits.

D. Income Taxes

The Fire Department is non-profit and is exempt from income taxes under Section 501(C)(4) of the Internal Revenue Code. Therefore, no provision is made for income taxes.

E. Fair Values of Financial Instruments

The Fire Department's financial instruments, none of which are held for trading purposes, include cash. The following methods and assumptions used by the Fire Department in estimating its fair value disclosures for financial instruments are:

Cash: The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Statement of Cash Flows

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

H. Contributions

The Fire Department has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statement

As of and For the Year Ended December 31, 2007

I. Fixed Assets

It is The Fire Department's policy to expense all assets purchased with appropriations from Rural Fire Protection District No. 2, because they are owned by Rural Fire Protection District No. 2 as stated in the contract between Rural Fire Protection District No. 2 and the ten individual fire departments. Assets purchased with other revenues are recorded as fixed assets when purchased.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, The Fire Department reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Fire Department reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Fixed assets are stated at cost. The Fire Department maintains a threshold level of \$500 or more for capitalizing fixed assets. Renewals and betterments that materially extend the life of the asset are capitalized. Upon retirement or disposal of an asset, the cost of the asset and the related accumulated depreciation are removed from the books. Any resulting gain or loss is included in the statement of activities. Straight-line depreciation is used. The assets are depreciated using the following useful lives:

	Estimated Useful Lives
Buildings	10 - 40 Years
Building Improvements	10 - 40 Years
Machinery and Equipment	5 - 7 Years
Vehicles	5 - 15 Years

2. **Cash**

Cash at December 31, 2007 consisted of the following:

Demand Deposits	\$ 16,932
Total	<u>\$ 16,932</u>

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statement

As of and For the Year Ended December 31, 2007

3. Fixed Assets

Fixed Assets and depreciation as of and for the year ended December 31, 2007:

	12/31/06	Increases	Decreases	12/31/07
Fixed assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total fixed assets not being depreciated	10,000	-	-	10,000
Fixed assets being depreciated:				
Buildings	202,814	-	-	202,814
Building Improvements	-	4,290	-	4,290
Machinery & Equipment	-	-	-	-
Vehicles	50,000	-	-	50,000
Total capital assets being depreciated	252,814	4,290	-	257,104
Less accumulated depreciation for				
Buildings	9,967	5,201	-	15,168
Building Improvements	-	238	-	238
Machinery and Equipment	-	-	-	-
Vehicles	13,056	3,333	-	16,389
Total accumulated depreciation	23,023	8,772	-	31,795
Fixed assets being depreciated, net	229,791	(4,482)	-	225,309
Total fixed assets, net	\$ 239,791	\$ (4,482)	\$ -	\$ 235,309

Depreciation expense for the year ended December 31, 2007 was \$ 8,772.

4. Long-Term Indebtedness

Long-term debt consists of the following:

Loan with USDA for ladder truck and building bearing interest of 4.625% requiring 179 consecutive monthly principle and interest payments of 641.00 beginning March 22, 2003, and one final payment of remaining principle and unpaid interest on February 22, 2018. Secured with equipment and building.	58,106
Loan with USDA to finish building bearing interest of 4.375% requiring 299 consecutive monthly principle and interest payments of 291.00 beginning March 25, 2005, and one final payment of remaining principle and unpaid interest on February 25, 2030. Secured with equipment and building.	49,355

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statement

As of and For the Year Ended December 31, 2007

Loan with Hancock Bank for interior of building bearing interest of 6.25% requiring nine annual principle and interest payments of 9,031.54 beginning January 25, 2006, and one final payment of remaining principle and unpaid interest on January 25, 2015. Unsecured.

57,920

Loan with First Guaranty Bank originally obtained in 2006 for grant match and subsequently renewed twice in 2007 with additional funds for operating expenses. No payments are being made on this loan. This loan is currently in litigation. Unsecured.

15,300

Total Debt

\$ 180,681

Current Portion

\$ 22,211

Long-Term Portion

158,470

Total Debt

\$ 180,681

The annual requirements to amortize all debt outstanding at December 31, 2007, including interest payments of \$60,619 are as follows:

Year Ending  
December 31

Total

2008

\$ 35,516

2009

20,216

2010

20,216

2011

20,216

2012

20,216

2013-2030

124,920

\$ 241,300

The total interest charged to expense for the year ended December 31, 2008 was \$ 6,927.

## 5. Receivables

Receivables include amounts due from the Rural Fire Protection District No. 2 and an employee at December 31, 2007 and are summarized as follows:

Due from Rural Fire Protection District No. 2

Ad Valorem Taxes

\$ 39,513

Employee Receivable

\$ 29,372

Total

\$ 68,885

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statement

As of and For the Year Ended December 31, 2007

The employee receivable arose out of a misappropriation of funds by an employee. This matter was handled through the court system and the monies paid back in 2009.

No allowance for uncollectible accounts is required at December 31, 2007.

**6. Payables**

Payables at December 31, 2007 consisted of the following:

Accounts Payable	\$ 5,604
Total	<u>\$ 5,604</u>

**7. Contract with the Rural Fire Protection District No. 2**

The Tangipahoa Parish Government (the parish governing authority) created the Rural Fire Protection District No. 2 of Tangipahoa Parish (District) funded by an ad valorem tax to provide fire protection and emergency response services in the rural areas of the parish. The boundaries of the District include the unincorporated areas of Tangipahoa Parish.

The Fire Department adopted a resolution and entered into an agreement with the Rural Fire Protection District No. 2 to provide fire protection and emergency response services in the unincorporated areas surrounding the Town of Independence. Funding is provided by an ad valorem tax and related state revenue sharing. Under the terms of the contract with the District, these funds "shall be expended solely for the purposes of operating, maintaining, and / or purchasing of equipment or supplies and salaries if approved by Fire District No. 2." Equipment purchased remains the property of the Fire District and is not recorded in the accompanying financial statements.

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statement

As of and For the Year Ended December 31, 2007

**8. Donated Services and Facilities**

Most of the Fire Department's program and supporting services are provided by volunteers. In addition, the Fire Department utilizes an office, three fire stations, equipment, paid firemen, and various administrative expenses which are paid by funds received from Rural Fire Protection District No. 2 of Tangipahoa Parish (District). No amounts have been included in the financial statements for donated services or facilities since no objective basis is available to measure the value of such services and facilities.

However, a rescue truck and an RV were donated to the Fire Department during 2007 which were recorded as donations and capital expenditures on the Statement of Activities and Changes in Net Assets for \$25,000 and \$18,500 respectively. There are also cash donations of \$2,923 recorded on the Statement.

**9. Appropriations from Loan Proceeds**

Certificates of Indebtedness, Series 2007B

In 2007, Rural Fire Protection District No. 2 borrowed \$ 250,000 on Certificates of Indebtedness, Series 2007B to be used by The Fire Department to purchase a new tanker/pumper truck.

The following certificates of indebtedness were issued. Certificates R-2, R-3, R-4, R-5, R-6, R-7, R-8 R-9 were for \$ 240,000 with an interest rate of 3.86% between the Tangipahoa Rural Fire Protection District No. 2 and Hancock Bank. Certificate R-1 was for \$ 10,000 with an interest rate of 3.93% between the Tangipahoa Rural Fire Protection District No. 2 and Hancock Bank.

There is no contractual agreement that requires The Fire Department to repay this indebtedness to the Rural Fire Protection District No. 2. However, The Fire Department is expected to pay the annual debt service on these certificates of indebtedness from the annual appropriation to be received from Rural Fire Protection District No. 2.

At December 31, 2007, the balances owed by Rural Fire Protection District No. 2 on Certificates on Indebtedness, Series 2007B were as follows:

	Balance <u>11/01/07</u>	Payments <u>FYE 12/31/07</u>	Balance <u>12/31/07</u>
Certificate from Hancock	<u>\$250,000</u>	<u>\$ - 0 -</u>	<u>\$250,000</u>
Totals	<u>\$250,000</u>	<u>\$ - 0 -</u>	<u>\$250,000</u>

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statement

As of and For the Year Ended December 31, 2007

The annual requirements to amortize the debt outstanding at December 31, 2007, including interest payments of \$53,947 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Total</u>
2008	\$ 17,472
2009	19,110
2010	33,396
2011	33,411
2012	33,388
2013	33,327
2014	33,227
2015	33,088
2016	33,891
2017	33,635
	<u>\$303,947</u>

There were no payments require on this certificate for the year of 2007.

**10. Prior Period Adjustment**

The prior period adjustment arises from the activity in two Fire Department volunteer bank accounts that were previously not included in the financial statements. Since the preparation of the 2006 financial statements, it has come to light that several grants and loans were run through these accounts. These monies were used to purchase and/or construct assets (which belong to the Volunteers), to make loan payments, and for some operating expenses. The current statements reflect the activity in these accounts as far back as January 01, 2003.

**11. Compliance with Laws**

Fire Department was in violation of the engagement completion filing deadline.



## SUPPLEMENTAL INFORMATION

Independence Volunteer Fire Department, Inc.

Current Year Comments and Recommendations  
Year Ended December 31, 2007

**Comment 2007-01**

**Violations of Engagement Completion Filing Deadline**

**The Independence Volunteer Fire Department, Inc. did not submit the annual financial statements for the fiscal year ended December 31, 2007, by the deadline of June 30, 2008. The Independence Volunteer Fire Department, Inc. is not in compliance with the State filing requirements of LSA-R.S. 24:513.**

State law, LSA-R.S. 24:513 requires that the annual compilations be completed and submitted to the Louisiana Legislative Auditor within six months of the close of the entity's fiscal year.

It is recommended that Independence Volunteer Fire Department, Inc. complete the annual financial statements in a timely manner.

Independence Volunteer Fire Department, Inc.

Management Corrective Action Plan  
Year Ended December 31, 2007

**Comment 2007-01**

**Violations of Engagement Completion Filing Deadline**

Due to accounting issues with prior management, records had to be recreated in order to produce financial statements as of December 31, 2007. We are making every effort to complete the 2009 financial statements in a timely manner.